DOCUMENT RESUME

ED 255 159 HE 018 215

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TITLE Federal Support of State Student Financial Aid Programs.
INSTITUTION American Council on Education, Washington, D.C. Div. of Policy Analysis and Research.
SPONS AGENCY EXXON Education Foundation, New York, N.Y.
PUB DATE [85]
NOTE 16p.; For related documents, see HE 018 214-217.
AVAILABLE FROM American Council on Education, Division of Policy Analysis and Research, One Dupont Circle, Washington, DC 20036-1193 (limited supply, free).
PUB TYPE Viewpoints (120) -- Reports - Evaluative/Feasibility (142)

EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS *College Students; *Federal Aid; *Federal State Relationship; Higher Education; Incentives; Policy Formation; Position Papers; *Public Policy; *State Aid; *Student Financial Aid
IDENTIFIERS College Costs; Reagan Administration; *State Student Incentive Grants

ABSTRACT

The federal/state partnership in providing student financial assistance and the interest of the federal government in maintaining this state commitment to assist needy students are examined. The State Student Incentive Grant (SSIG) program, which was begun in 1974, was designed to provide an incentive for states to develop and maintain student financial aid programs. The federal government allocates funds to the states under the condition that the states match the federal contribution on at least a dollar-for-dollar basis. Federal SSIG funds are distributed among the states based on their postsecondary enrollments. Since 1977, the total amount of grant aid provided by the states has increased steadily. In 1984 all 50 states and the District of Columbia support the program. In addition to the dollars provided directly to students, states are devoting billions of dollars collectively to maintain lower-cost public colleges. Since 1981 the Reagan administration has called for the elimination of the SSIG program, arguing that it has already achieved its intended goals. It is advocated that the SSIG program be retained to continue providing an incentive for states to fund financial aid programs. (SW)

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FEDERAL SUPPORT OF STATE STUDENT FINANCIAL AID PROGRAMS

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Funding for this project provided by the Exxon Education Foundation

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ACKNOWLEDGMENTS

This paper has been prepared as part of a grant from the Exxon Education Foundation for the examination of new alternatives in the design of student aid programs. ACE is grateful to Exxon for its support of this effort.

Dallas Martin, executive director of the National Association of Student Finanical Aid Administrators, provided ideas, guidance, and editorial assistance throughout the preparation of these papers.

We also appreciate the assistance and guidance of the members of the Student Aid Committee of the Association Council for Policy Analysis and Research (ACPAR) and ACE's Office of Government Relations in the review of these reports. Dr. Jerry Davis of the Pennsylvania Higher Education Assistance Authority and Dr. Denis Curry of the Washington (State) Council for Postsecondary Education also provided valuable comments on the draft papers. Holly Hexter and Wendy Sams supervised the editing and production of this report.

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EVALUATING STUDENT AID OPTIONS

ALTERNATIVES FOR FEDERAL INVOLVEMENT

As the level of debate on the upcoming reauthorization of the Higher Education Act intensifies, members of Congress, the Administration, and others can be expected to propose a wide variety of alternatives to the current array of federal aid programs. These proposals may be global in nature, or they may address specific components of the law or individual sectors of postsecondary education.

Reauthorization provides an excellent opportunity to review the effectiveness of the existing student aid programs and to devise new solutions to the problems of financing postsecondary education. Historically, each time the Higher Education Act has been reauthorized, the federal commitment to the student financial assistance effort has been renewed and strengthened. The Education Amendments of 1972 and 1976 were marked by the inauguration of new, innovative, and expanded programs to assist students; the Pell, Campus-Based, and State Student Incentive Grant programs were created in this manner. In 1980, Congress concentrated on building upon these earlier foundations; authorization levels were raised, the congressional role in the delivery of student aid was enhanced, and eligibility criteria were reevaluated. Once again, in the coming months, Congress must grapple with the question of how best to structure the federal role in providing assistance to postsecondary students.

This year, more than in past reauthorizations, Congress may look to research evidence to support certain proposals or to identify areas in need of attention. When Congress authorized the National Commission on Student Financial Assistance as part of the last reauthorization, it was trying to close what it viewed as an information gap between policymakers and the programs.

The National Commission produced nine reports and forty papers and provided information covering many of the most crucial questions concerning the national program of student financial assistance. The Commission also may have had one unintended effect; it raised the consciousness of many persons involved in the current reauthorization regarding the ability to use research as the basis for policy. The use of research to develop positions or to prove or disprove certain assumptions is not new, but it has never been used as extensively by policymakers and lobbyists as it is today.

Evaluating Student Aid Alternatives

Since the beginning of the current federal commitment to assist students in financing their post-secondary education, there have been a great many changes in the federal programs. Some of these have taken the form of vast new programs that radically alter the aid structure while others have represented little more than fine tuning of the existing system in order to improve its efficiency or effectiveness. Certain concepts consistently must be considered in evaluating the potential value of these changes as well as their future success or failure.

Most federal student aid is embodied in Title IV of the Higher Education Act of 1965 as amended. Title IV programs, which are the most costly and serve the most students, are the focus of the current reauthorization debate.

Proposals to add new student aid programs, to eliminate others, or to revamp the federal role can all be judged in a similar fashion to determine their feasibility and desirability. Such proposals should undergo three levels of scrutiny before they are either endorsed or written off:

The merits of the proposals must be carefully reviewed and the goals clearly defined.

Those who would benefit (and those who would not) should be specifically identified.

The ability of the proposals to blend in with existing programs and policies needs to be examined closely.

By acknowledging all of these levels of scrutiny, we can be in a better position to react to the many proposals that will be considered in the upcoming months. Additionally, by using these criteria as proposals are being developed, there is a greater chance to arrive at solutions that are grounded in fact, rather than assumption, and that are more likely to be perceived as reasonable, thoughtful, and able to achieve their intended purpose.

States are becoming increasingly important partners in providing grant assistance to students. Since the inception of the federal student aid programs, states have funded their own aid programs at a steadily growing rate. The State Student Incentive Grant program, first funded in 1974, has provided an incentive for states to develop and continue their role in assisting needy students. Currently, the administration and Congress are at odds on the issue of whether to reauthorize the SSIG program. This paper examines the federal/state partnership in providing student assistance and the interest of the federal government in maintaining this state commitment to assist needy students.

It is our hope that this paper and the others in this series will add to the body of knowledge on

the federal role in aiding postsecondary students and that they will provide a framework for discussing, assessing, and judging the myriad of proposals that will be put before Congress and the community as part of the reauthorization exercise.

FEDERAL SUPPORT OF STATE STUDENT FINANCIAL AID PROGRAMS

Current State Efforts

States are playing an increasingly significant role in providing financial assistance to postsecondary students. It is expected that states will provide over $1.4 billion dollars of grant assistance to some 1.3 million students during the 1984-85 academic year--nearly four times as much as was made available a decade ago.[1] Every state and the District of Columbia currently sponsors one or more programs to assist students in meeting postsecondary expenses. The size and impact of these programs vary widely from state to state; for example, Alaska awards less than $200,000 to needy undergraduates, while New York State funds a $350 million comprehensive state grant program. The rules covering eligibility for state aid and the manner in which aid is awarded also differ greatly across the nation.

State programs may have a number of intended purposes among which are:

to serve needy students;

to reward academic excellence;

to encourage training in certain fields;

to reduce the tuition differential between public and private schools (i.e., providing choice); and

to assist part-time, graduate, vocational, or proprietary students in addition to traditional undergraduates.

As with the federal government, states have faced many choices in determining the shape and scope of their student aid efforts. Through individual assessments of their needs and resources and by working within the political processes unique to each, the states have adopted numerous strategies in this area. State aid programs differ in regard to their levels of funding, their eligibility criteria, the types and amounts of aid awarded, the support for programs among state legislators and other officials, and their basic goals and objectives.

Student aid, generally, is not the largest postsecondary program operated on state funds, ranking below the support of the public postsecondary schools. In many states, student aid is not necessarily assured of consistent funding and, in fact, may be struggling to maintain or increase its annual appropriations. In 1983-84, nine states reduced the amount of need-based grant aid they award to undergraduates by 11 percent or more.[2] In response to the general budgetary pressures

jurisdictions also have reduced or leveled off their funding for state colleges and universities while increasing tuition charges as a means to balance their budgets. Pressure is on in all quarters of postsecondary education to conserve resources and to get the most impact for the state funds being spent.

The Federal/State Partnership

State student assistance is a vital component of the student aid partnership that has developed over the past 20 years. Along with colleges and universities and private sources, states help to supplement the more than $10 billion that the federal government annually provides in student assistance.

While only a few states had limited programs of student assistance in place prior to 1965, it was the passage of the Higher Education Act of that year that spurred the creation of state programs to assist needy and talented postsecondary students. As the federal commitment grew, so did that of the states. By 1973, 28 states administered undergraduate student aid programs, awarding $315 million to over 660,000 students. This was the beginning of the federal/state partnership in providing student aid. As figure 1 illustrates, the total amount of grant aid provided by the states has increased steadily since 1977.

The SSIG Program

The Education Amendments of 1972 included a firm recognition of this partnership concept and acknowledged the federal government's role in promoting the involvement of states in this effort. The State Student Incentive Grant (SSIG) program was the idea of Senator Jacob Javits of New York and was created

to encourage the creation of state student incentive grant programs; and

to encourage increased state expenditures on such programs.[3]

The SSIG program provides for federal funds to be distributed among the states based on their postsecondary enrollments.[4]

To qualify for these funds, states must match federal allocations dollar for dollar and comply with a series of federal regulations governing the criteria for awarding SSIG funds. Nearly $500 million in federal support has been provided through the SSIG program since it was first funded in 1974.

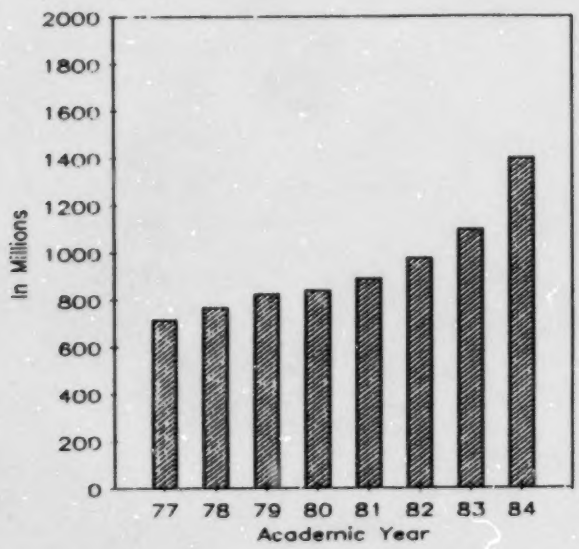
Table 1 illustrates that SSIG appropriations increased steadily until the 1982 and 1983 fiscal years when SSIG joined a host of other federal domestic assistance programs in having its budget reduced. Congress has continued to fund the SSIG program, though, despite proposals included in President Reagan's budget requests to eliminate the program entirely. In fact, Congress restored over $15

Table 1: Annual Federal Appropriations for the SSIG Program

Fiscal Year	Amount (in millions)
1974	$60.00
1975	20.00
1976	44.00
1977	60.00
1978	60.00
1979	63.75
1980	76.75
1981	76.75
1982	73.68
1983	60.49
1984	76.00
1985	76.00

Source: U.S. Department of Education

Figure 1: State grants awarded to postsecondary students, 1977-1984.



Source: National Association of State Scholarships and Grant Programs, 1985.

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million to the program in 1984.

The Impact of SSIG

Assessing the impact of the SSIG program is a complex task. Not only does the program have wide ranging effects (on students and on states) but its basic goals are difficult to measure. A study conducted in 1979 by Janet Hansen concluded that "the SSIG program can be credited with providing over $200 million in federal funds to assist students. It has led to the extension of state grant programs to all states and to some expansion of state spending."[5]

The report pointed out that it was difficult to determine what, if any, proportion of increases in state spending could be attributed to the SSIG program. It also noted that there was little evidence to suggest that SSIG funds contributed to the expansion of existing state efforts.

In 1983, a follow-up report cited continued growth in the amount of state grant assistance--reporting a 9.6 percent increase in such funding between the 1981-82 and 1982-83 academic years.[6]

The report also pointed out that SSIG dollars still are awarded primarily to states that had grant programs established before the SSIG program was first funded (pre-SSIG states). However, in 1982-83, post-SSIG states, those with grant programs started in 1974 or after, were providing more money over and above the amount required under federal rules than in 1978-79. In 1983, only one state, Alabama, failed to meet its SSIG matching requirement; in 1980, six states did not provide sufficient matching dollars. Again, the 1983 report fails to conclusively correlate increases in state financial assistance with the SSIG program.

In Hansen's opinion, though,

declining federal appropriations gives neither overmatched (those states providing more than their federal requirement) nor evenly matched states tangible benefits, since expansion of their own grant programs will not increase their share of federal funds.[7]

The Reagan administration has reviewed the same history of the SSIG program and the trends in state support since its inception and concluded that the program has served its intended purpose and should not be continued. In its most recent budget message, the Reagan administration argues:

most states considerably overmatch the yearly federal contribution, suggesting considerable state level commitment regardless of federal expenditures. . . . Federal funds appear unnecessary as a stimulant to state effort inasmuch as state expenditures for grant aid have continued to expand even as federal funding has dropped or remained level in recent years.[8]

The National Commission on Student Financial Assistance sponsored surveys of state legislators, governors and state higher education executive officers to gauge the effect that the SSIG program has on state decision-making.[9]

While no conclusive evidence was obtained, all of these parties were able to relate some positive developments to the SSIG programs. SSIG was most often cited as a contributing factor in states where federal policy was reported to have caused an expansion of state financial aid programs. These surveys also uncovered a general concern that states would be hard-pressed to continue their commitment to fund student aid programs due to the general contraction of state resources.

Perhaps the strongest advocate for expanding the SSIG program is the National Association of State Scholarship and Grant Programs (NASSGP). In its proposals for the 1984 reauthorization of the Higher Education Act, NASSGP expresses its concern that the "SSIG program has never realized its full potential, largely because there has never been a full commitment to the partnership arrangement." It cites stagnant appropriations and the lack of commitment on the part of the executive branch as evidence of the neglect of SSIG and calls for an expansion of the program in order to broaden its impact and enhance the federal/state partnership.

NASSGP proposes that the federal government, over a three-year period, triple its appropriations for SSIG and that states "be allowed the flexibility to use any additional SSIG funds above their current level either to provide grants to students or to establish or expand a state work-study program." It also proposes that if a state chooses to use SSIG funds for work-study awards, that it be allowed to raise a portion of its matching requirement through private contributions. This would help ensure that states would not have to refuse federal help because of difficulty in obtaining increased matching funds from their state legislatures.[10]

Maintaining and Enhancing the Partnership

It is clear that the states have assumed a full partnership in the provision of student financial assistance. In addition to the dollars provided directly to students, states are devoting billions of dollars collectively to maintain lower-cost public colleges. States and state-related agencies also are involved in administering and delivering aid. State-related agencies are responsible for delivering Guaranteed Student Loans and, in many states, agencies in state capitals provide certain services; information on the aid programs; and assistance to schools, parents, students, and aid professionals. The extent of state involvement varies greatly, as does the number and need of postsecond-

ary students in each state.

The federal government has a very definite interest in keeping states active in providing student aid. The states are providing a valuable supplement to federal efforts that still fall short of meeting the full need of eligible students. Need-based state awards help extend the effectiveness of federal initiatives and increase the ability of student aid to provide access to postsecondary education and the choice of where to attend.

It is arguable as to whether the federal SSIG program has been the root of increased state involvement. Undeniably, the program's existence has spurred the creation of new state student aid programs and has caused some states to maintain their programs despite wavering levels of commitment. It is a key to the partnership that has developed between the federal government and the states in the area of student assistance, especially in the provision of grant aid.

The availability of grant assistance is crucial to the overall effectiveness of the student financial aid programs. Without sufficient grant aid, the neediest students would be forced to load up with loans and to work unreasonable numbers of hours during the academic year in order to meet their college expenses. Research conducted for the National Commission on Student Financial Assistance concluded that the buying power of federal grant assistance has been steadily eroded over the past ten years and that, consequently, its ability to provide access and promote student choice have been severely limited. SSIG funds, coupled with grant money provided by the states, have helped to stem this erosion in buying power and have enhanced the postsecondary opportunities of needy students.

The amount of money devoted to the SSIG program is not large in terms of the federal financial aid effort. Yet, as with few other programs, Congress is assured that at least double its own investment is going to assist needy postsecondary students; the state matching requirement guarantees this. In times of budget cuts and close evaluations of the cost benefits of public programs, this fact speaks well for retaining the SSIG program.

The SSIG program is too modest in size to play the role of a cure-all or to provide the ultimate solution to the problems of financing postsecondary opportunities. It is, rather, a program that achieves limited goals with a relatively small annual appropriation. While eliminating the program will result in the loss of some state financial aid dollars, it would most probably not cause irreparable harm to the overall student aid effort. Its elimination could, however, cause a considerable amount of ill will among state officials and cast a shadow of uncertainty over the continued role of states in providing student aid. This would run counter to the

original purpose of SSIG. In fact, a recent General Accounting Office study reported that:

In most states, terminating federal funding for the SSIG program would have a major impact on postsecondary educational assistance for students. Twenty-two SSIG program administrators stated that terminating federal SSIG funds would further reduce either the number of students that would receive awards or the award amounts. Program officials in thirty states expressed concern that thousands of students would lose the opportunity for postsecondary education.[11]

Action by a number of states to drop or reduce the magnitude of their student assistance programs would signal a significant departure from the progress of the last decade. This signal would be sent to parents, students, and, importantly, state policymakers, who might be stripped of a valuable tool in struggles to maintain state aid programs.

The SSIG program was designed, and continues to provide, incentives for states to provide funds to develop, enhance, and continue programs to assist needy students. The value of this incentive seems well worth the relatively small commitment of federal funds and should provide reason enough to retain and even expand the SSIG program.

Summary

The SSIG program was begun in 1974 to provide an incentive for states to develop and maintain student financial aid programs. The federal government allocates funds to the states under the condition that the states match the federal contribution on at least a dollar-for-dollar basis. When the SSIG program began, only twenty-three states sponsored aid programs; today, all fifty states and the District of Columbia support such programs. In 1984, the SSIG program was funded at $76 million.

States, higher education groups, and Congress have consistently supported the SSIG program. Since 1981, however, the Reagan administration has called for its elimination, arguing that it has already achieved its intended goals.

SSIG should be retained to continue providing an incentive for states to fund financial aid programs. In this time of budget constraints, states cannot be counted on to maintain funding for student aid if the SSIG program is eliminated. The relatively small federal investment in SSIG is an important component of the federal/state financial aid partnership and the grant aid it provides is crucial to the postsecondary opportunities of low-income students.

END NOTES

[1]National Association of State Scholarships and Grant Programs, 15th Annual Survey Report (Harrisburg: Pennsylvania Higher Education Assistance Agency, 1983) 1.

[2]Ibid., 4.

[3]Janet Hansen, Another Look at SSIG (Washington, D.C.: National Commission on Student Financial Assistance, 1983) 1.

[4]The SSIG program allocates funds to the 50 states, the District of Columbia, Guam, Samoa, the Virgin Islands, Puerto Rico, the Pacific Trust Territories, and the Northern Mariana Islands.

[5]Janet Hansen, The State Student Incentive Grant Program (Washington, D.C.: The College Board, 1979) 28.

[6]Hansen, Another Look at SSIG.

[7]Ibid., 13.

[8]U.S. Department of Education, The Fiscal Year 1985 Budget (Washington D.C., February, 1984), 42.

[9]George Nolfi, Study of the Impact of Federal Student Financial Aid Policies on State Decisions (Washington, D.C.: National Commission on Student Financial Assistance, 1983).

[10]National Association of State Scholarship and Grant Programs, The Reauthorization of the Higher Education Act: A Concept Paper on the Student Aid Programs (Washington, D.C.: NASSGP, 1984).

[11]U.S. General Accounting Office, Funding Information on the State Student Incentive Grant Program and Other Need-Based Student Aid Programs of Selected States (Washington, D.C.: December 29, 1983) 10.